



U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

DEC 14 1998

The Honorable John Dingell
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Dingell:

This responds to your March 1998 letter to the Attorney General in which you requested a six month update concerning the Department's response to your inquiry last year about media reports on microcap or "chop stock" schemes. Shortly after your initial inquiry, we joined our colleagues from the Securities and Exchange Commission, the National Association of Securities Dealers Regulation, and the North American Securities Administrators Association, to brief a member of your staff about our coordinated approach to addressing these schemes.

In September, the General Accounting Office (GAO) published a report on microcap stock fraud that focused on the actions taken by the SEC and self regulatory organizations to combat this fraud. The GAO report noted that these actions should enhance regulatory oversight of microcap stock firms and help provide investors with additional protections against abusive practices by such firms. We recognize, however, that continued cooperation and coordination between the regulatory and law enforcement communities are essential to the success of our joint efforts to address this and other threats to our nation's investors. The Department is committed to maintaining this concerted approach.

Thank you for your interest in the Department's securities fraud enforcement program. Please do not hesitate to contact the Department if we can be of further assistance with regard to this or any other matter.

Sincerely,

Karen A. Robb
Deputy Assistant Attorney General